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Buying Time for Kyiv:
The EU's Ukraine Loan and the Path
to Peace in Ukraine

By
Barbara Listek



31 December 2025

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For information about Rosa&Roubini Associates, please send an email to info@rosa-roubini-associates.com or call +44 (0)20 7101 0718.

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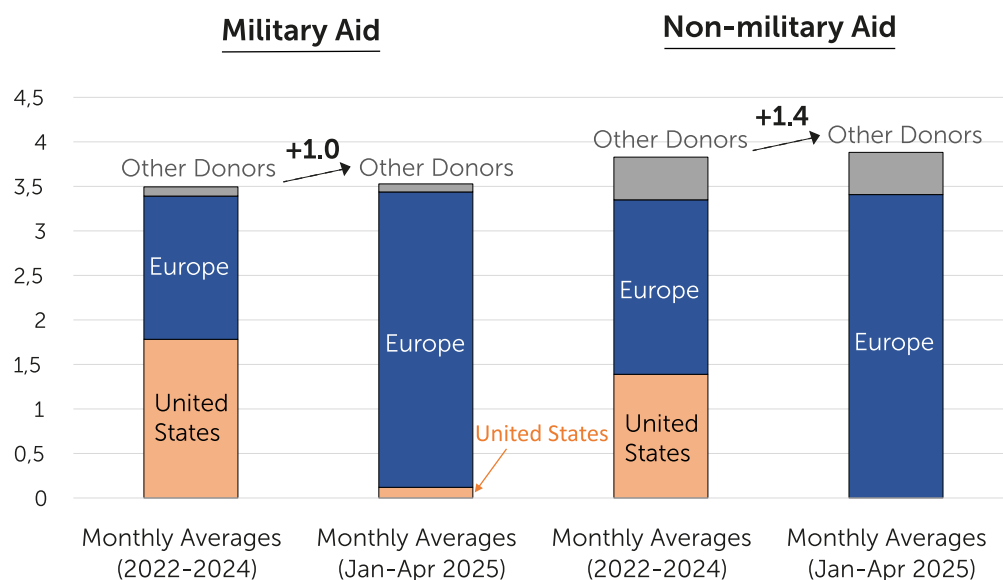
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Executive Summary

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- ✦ During a summit on 18–19 December, the European Council agreed to provide Kyiv with an interest-free loan of €90 billion, financed through joint EU borrowing on financial markets and backed by the EU budget headroom.
- ✦ The agreement exposed divisions within the EU: the Czech Republic, Slovakia, and Hungary were excluded from financial guarantees due to perceived proximity to Moscow, while frontline states like Poland and the Baltic countries pushed for robust support, viewing Ukraine's survival as critical to European security.
- ✦ However, a decision was taken not to grant Ukraine the reparations loan based on frozen Russian assets, largely due to Belgium's refusal to unlock the cash without legal, political and financial guarantees in case Moscow sues.
- ✦ Putin condemned the EU proposal as "daylight robbery" in his end-of-year address, framing Western financial measures as unlawful while portraying Russia as willing to negotiate peace - conditional on Ukraine accepting Moscow's terms.
- ✦ Ukraine and the U.S. have developed a 20-point peace plan aimed at ending the war, which Kyiv says is "90% ready." This proposal has been shared with Russian negotiators, although Moscow has shown little willingness to compromise so far.

Key Picture: Aid Allocations to Ukraine: Monthly Averages 2022-2024 vs Jan-April 2025



Note: This graph shows the average monthly aid levels across two periods: from 2022 to 2024, and from January to April 2025. It distinguishes between military aid and non-military aid (humanitarian and financial aid).

Source: [Kiel Institut](#)

1. Financing Ukraine: A Fraught Compromise in the EU

On 18–19 December, the European Council convened for a summit that laid bare both the urgency of sustaining Ukraine and the internal fractures shaping the EU's response to the war. After over 17 hours of what media outlets described as a “heated debate,” EU leaders agreed to extend Ukraine an interest-free €90 billion loan, financed through joint borrowing on financial markets and backed by unused headroom in the EU budget.¹

The package is designed to cover roughly two thirds of Ukraine's external financing needs for 2026–2027, with the remaining share to be secured by other G7 partners, excluding the United States.² What's important, Ukraine will be required to repay the loan only if it receives war reparations from Russia. Failing that, the European Council has reserved the right to draw on frozen assets of the Russian Central Bank held within the EU.³

The agreement, however, came at the price of unanimity. The Czech Republic, Slovakia and Hungary - member states widely viewed as more accommodating towards Moscow - were excluded from the financial guarantees underpinning the loan.⁴ This decision placed them in direct political confrontation with frontline EU countries such as Poland and the Baltic states, which see Ukraine's survival as existential to European security.⁵ From their perspective, a cash- or weapons-strapped defeat for Kyiv would embolden Russia and destabilise the continent far beyond Ukraine's borders.

2. Frozen Ambitions

The agreement ultimately reached marked a clear departure from an earlier, more confrontational proposal that had dominated EU discussions for much of the past year: using frozen Russian sovereign assets to finance Ukraine directly. The European Commission had initially explored the possibility of leveraging - or effectively seizing - assets of the Russian Central Bank immobilised within the EU, valued at valued at €210bn, as collateral for a large-scale “reparations loan,” yet the proposal quickly ran aground on legal and financial concerns.⁶

Several member states, most prominently Belgium, where majority of the frozen assets is held through Euroclear, warned that breaching sovereign asset immunity could trigger protracted litigation, undermine confidence in European financial markets, and set a precedent with far-reaching consequences for the eurozone's role as a safe custodian of foreign reserves.⁷ In the absence of consensus, this politically complex and legally demanding idea gradually lost momentum, forcing EU leaders to retreat from asset-based financing towards the more cautious solution of joint borrowing.⁸

3. From Russia With...?

Meanwhile, back in Moscow there was Putin's end-of-year address, in which the President answered questions from journalists as well as Russian citizens in a live broadcast.⁹ Unsurprisingly, the war in Ukraine dominated the discussion. Coming just hours after the EU's loan decision, Putin seized the moment to lash out at the (ultimately abandoned) proposal to use frozen Russian assets, calling it “daylight robbery.”¹⁰ This rhetoric is part of a broader Kremlin strategy to cast Western financial measures as unlawful expropriation rather than legitimate wartime reparations - a framing aimed both at a domestic audience and at international markets.

Throughout the rest of his appearance, he maintained a combative tone towards the European countries and Ukraine, blaming them for the diplomatic stalemate and emphasising Russia's “willingness to end the conflict peacefully.”¹¹ This however hinges on Ukraine accepting Russia's terms, and in Putin's words, “addressing the root causes that led to the crisis.”¹² In practice, this underscores the significant gap between Moscow's messaging and the EU-US-Ukraine vision of a negotiated settlement.

4. Washington's Peace Push

As 2025 comes to close, the US-led peace process remains both active and unsettled. As of 24th December, Washington and Kyiv have jointly drafted a freshly revised 20-point peace proposal, aimed at ending nearly four years of conflict and covering security guarantees, territorial arrangements, reconstruction funding, and mechanisms for a ceasefire - with much of the framework reportedly “quite solid,” according to Ukrainian President Volodymyr Zelenskyy.¹³ The plan, which envisages security guarantees akin to collective defence commitments and seeks to preserve Ukraine’s sovereignty while proposing demilitarised or free economic zones in the east, has been shared with Russian negotiators for their response.¹⁴ U.S. diplomatic efforts have included shuttle talks in Miami and Florida involving U.S. envoys, Russian representatives, and Ukrainian officials, which both sides described as “constructive” even as core disagreements endure.

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However, key points of contention persist. Ukraine has resisted proposals that would require territorial concessions in Donbas or ambiguous control arrangements over the Russian-occupied Zaporizhzhia nuclear plant, insisting that such issues cannot be resolved without guarantees that respect its sovereignty.¹⁵ Moscow, for its part, has signalled that it may entertain ideas like limited territorial swaps while maintaining maximalist demands over eastern regions, highlighting the deep gulf between negotiating positions.¹⁶ The need for security guarantees, robust enforcement mechanisms, and credible monitoring remains central to Kyiv’s stance, reflecting Ukrainian and broader Western fears that any peace framework without them would be unstable at best.

NOTES

¹ Adler, K. 2025, 19 Dec. "Fraught EU summit backs Ukraine but divisions are clear." *BBC*. Online: <https://www.bbc.com/news/articles/cjezpd95v71o> [Accessed: 26.12.25]

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³ Cakirtekin, I. 2025, Sept 30. "Ukraine to repay loan based on frozen Russian assets if Moscow pays reparations: EU Commission Chief." *AA*. Online: <https://www.aa.com.tr/en/europe/ukraine-to-repay-loan-based-on-frozen-russian-assets-if-moscow-pays-reparations-eu-commission-chief/3703009> [Accessed: 26.12.25]

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⁵ Adler, K. 2025, 19 Dec. "Fraught EU summit backs Ukraine but divisions are clear." *BBC*. Online: <https://www.bbc.com/news/articles/cjezpd95v71o> [Accessed: 26.12.25]

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¹¹ Ibid.

¹² Ibid.

¹³ Kirby, P. 2025, Dec 24. "Zelensky moves towards demilitarised zones in latest peace plan for Ukraine." *BBC*. Online: <https://www.bbc.com/news/articles/c9d9wg2pwl1o> [Accessed: 26.12.25]

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¹⁶ Ibid.